

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name DeWitt Charter Township	County Clinton
Audit Date 12/31/05	Opinion Date 2/10/06	Date Accountant Report Submitted to State: 4/27/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Abraham & Gaffney			
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		ZIP 48823	
Accountant Signature <i>Abraham & Gaffney, P.C. Aaron M. Storaas</i>			Date 4/25/06

**DeWitt Charter Township
Clinton County, Michigan**

FINANCIAL STATEMENTS

December 31, 2005

DeWitt Charter Township
Clinton County, Michigan

December 31, 2005

BOARD OF TRUSTEES AND ADMINISTRATION

Rick Galardi	Supervisor
Diane Mosier	Clerk
Phyllis Daggy	Treasurer
Max Calder	Trustee
Jeff Baumann	Trustee
Stephen Musselman	Trustee
David Seeger	Trustee
Matt Kulhanek	Manager

DeWitt Charter Township

TABLE OF CONTENTS

December 31, 2005

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	i
MANAGEMENT'S DISCUSSION AND ANALYSIS	ii-vi
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Assets - Proprietary Funds	7
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	8
Statement of Cash Flows - Proprietary Funds	9-10
Statement of Net Assets - Fiduciary Funds	11
Notes to Financial Statements	12-27
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule	28-30
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	31-32
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	33-34
GENERAL FUND	
Schedule of Revenues and Expenditures - Construction Code	35

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
DeWitt Charter Township
DeWitt, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of DeWitt Charter Township, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of DeWitt Charter Township, Michigan as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise DeWitt Charter Township's basic financial statements. The combining fund financial statements listed in the Table of Contents under other supplementary financial information are presented for purposes of additional analysis and are not a required part of the financial statements of DeWitt Charter Township, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 10, 2006

DeWitt Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

Financial Reporting

In 2004, DeWitt Charter Township, Michigan (the "Township") revised and improved its financial reporting document. These changes were a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of those new standards was to provide citizens, taxpayers, customers, and investors with a better understanding of how the Township's money and other assets are managed.

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this analysis, the following represents the most significant financial issues for the year ended December 31, 2005:

- State shared revenue, our second largest revenue source in the General Fund, leveled off in 2005 after a number of years of reduction. This major source of revenue continues to be unstable as the State of Michigan deals with changes in revenue collections and the formula used to disburse this money back to the municipalities. The Township is currently receiving \$213,892 less from state shared revenue than was received in 2001.
- Property tax revenues increased \$241,308 from the prior year. This 11.1% increase is up slightly over last year. The increase is the result of new development and an increase in the value of existing properties in the Township, not as a result of property tax rate increases.
- The Township continues the practice of funding reserves for future expenditures. These include setting aside money from 425 Agreements, funding for future fire apparatus, replacement of out-dated technology, road improvements, wastewater treatment plant digester project and other general sewer system improvements.
- The Township increased net assets in 2005 by \$4,551,332. This was a significant increase this year primarily due to the addition of Granger Meadows Park and other capital improvement projects.

Using this Annual Report

This discussion and analysis are intended to serve as an introduction to DeWitt Charter Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide Financial Statements. The statement of net assets and the statement of activities provide information about the activities of DeWitt Charter Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of DeWitt Charter Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which DeWitt Charter Township acts solely as a trustee or agent for the benefit of those outside the government.

DeWitt Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

DeWitt Charter Township maintains seven (7) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Other Supplementary Information section of this report.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds. DeWitt Charter Township maintains two (2) proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its sewer system and water system activity.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-27 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this MD&A and the General Fund budgetary comparison schedule. Combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information.

DeWitt Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

The Township as a Whole

The following table shows, in a condensed format, a comparative analysis of the net assets as of December 31, 2004 and December 31, 2005.

	Government Activities		Business-type Activities		Total Government	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Assets						
Current and Other Assets	\$ 4,447,023	\$ 4,273,633	\$ 7,166,244	\$ 7,010,012	\$11,613,267	\$ 11,283,645
Capital Assets	<u>4,745,023</u>	<u>9,614,471</u>	<u>12,157,404</u>	<u>12,252,796</u>	<u>16,902,427</u>	<u>21,867,267</u>
Total Assets	9,192,046	13,888,104	19,323,648	19,262,808	28,515,694	33,150,912
Liabilities						
Current Liabilities	2,773,235	2,968,173	435,805	457,891	3,209,040	3,426,064
Noncurrent Liabilities	<u>2,712,930</u>	<u>2,679,792</u>	<u>200,000</u>	<u>100,000</u>	<u>2,912,930</u>	<u>2,779,792</u>
Total Liabilities	5,486,165	5,647,965	635,805	557,891	6,121,970	6,205,856
Net Assets						
Invested capital assets, net of related debt	1,867,051	6,704,569	11,857,404	12,248,608	13,724,455	18,953,177
Restricted	165,203	175,299	-	-	165,203	175,299
Unrestricted	<u>1,673,627</u>	<u>1,360,271</u>	<u>6,830,439</u>	<u>6,456,309</u>	<u>8,504,066</u>	<u>7,816,580</u>
Total Net Assets	<u>\$ 3,705,881</u>	<u>\$8,240,139</u>	<u>\$18,687,843</u>	<u>\$18,704,917</u>	<u>\$22,393,724</u>	<u>\$26,945,056</u>

Net assets may serve over time as a useful indicator of a government's financial position. DeWitt Charter Township's assets exceeded liabilities by \$26,945,056 as of December 31, 2005. The most significant portion of the Township's net assets (70 percent) reflects its investment in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (less than 1 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$7,816,580 may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The Township's net assets increased by \$4,551,332 during the current year as indicated on the following page.

DeWitt Charter Township
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005

	Governmental Activities		Business-type Activities		Totals	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenue						
Program Revenue						
Charges for Service	\$ 867,846	\$ 873,316	\$1,675,706	\$ 1,638,794	\$2,543,552	\$2,512,110
Operating Grants & Contributions	115,243	116,266	-	-	115,243	116,266
Capital Grants & Contributions	32,591	3,942,926	218,434	276,168	251,025	4,219,094
General Revenue						
Property Taxes	2,119,309	2,388,722	-	-	2,119,309	2,388,722
State Shared Revenue	919,544	929,445	-	-	919,544	929,445
Investment Earnings	65,071	95,278	99,282	90,486	164,353	185,764
SCCMUA Equity	-	-	420,186	392,209	420,186	392,209
Miscellaneous	137,898	227,570	-	-	137,898	227,570
Transfers	-	26,278	-	(26,278)	-	-
Total Revenue	4,257,502	8,599,801	2,413,608	2,371,379	6,671,110	10,971,180
Program Expenses						
General Government	1,302,551	1,320,437	-	-	1,302,551	1,320,437
Public Safety	1,625,841	1,695,632	-	-	1,625,841	1,695,632
Public Works	231,464	258,275	-	-	231,464	258,275
Community & Economic Dev.	451,302	453,483	-	-	451,302	453,483
Recreation & Culture	99,111	195,180	-	-	99,111	195,180
Sewer System	-	-	1,760,912	2,334,597	1,760,912	2,334,597
Water System	-	-	13,862	19,708	13,862	19,708
Interest on Long Term Debt	145,845	142,536	-	-	145,845	142,536
Total Program Expenses	3,856,114	4,065,543	1,774,774	2,354,305	5,630,888	6,419,848
Change in Net Assets	\$ 401,388	\$4,534,258	\$ 638,834	\$ 17,074	\$1,040,222	\$4,551,332

Governmental Activities

Governmental activities increased the Township's net assets by \$4,534,258 during fiscal year 2005. Key elements of this increase are as follows:

The Township's governmental activities' revenues totaled \$8,599,801. Auditing standards require that the value of Granger Meadows Park be shown in 2005 as revenue. This one time revenue clearly skews the governmental activities revenue total. With Granger Meadows Park being removed from the revenues, the Township continued to show an increase in revenue over 2004. This increase was primarily related to our most significant revenue source, property taxes. In 2005, property tax revenue received by the Township increased by \$241,308.

The Township incurred expenses of \$4,065,543 during 2005, an increase of approximately 5% from 2004. The majority of these expenses are associated with providing general government services and public safety, which includes fire and police services.

Business-type Activities

Business-type activities increased the Township's net assets by \$17,074 during fiscal year 2005. The increase is less than 2004. While 2005 revenue was stable, expenses increased significantly due to the funding of the digester project at SCCMUA. It is important to note that the Township is funding our approximately \$2.9 million share of this project without borrowing. This is a reflection of sound fiscal planning, system growth and establishing appropriate reserves for future projects. The majority (68%) of the revenue of the business-type activities is generated through user charges. The water system only generates interest income and expenses to the water system are minimal.

DeWitt Charter Township
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

The Township's Funds

Governmental Funds. The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not DeWitt Charter Township as a whole. DeWitt Charter Township's Board of Trustees creates funds to help manage money for specific purposes. The Township's major governmental fund for the fiscal year ended December 31, 2005 was the General Fund. The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was for public safety, which incurred expenditures of \$1,584,454 for the fiscal year. Public Safety services are partially supported by a police and fire millage, which is recorded in the General Fund.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer System and the Water System at the end of the year amounted to \$5,353,991 and \$1,102,318, respectively. Management of the Township has designated \$1,400,000 of the Sewer System Fund's net assets for improvements to the sewer system infrastructure. The increase in net assets for the Sewer System for the fiscal year was \$33,880. Net assets for the Water System decreased by \$16,806 in 2005. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendment increases were made to cover unanticipated costs in the General Fund, specifically for capital expenditures.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the Township had approximately \$21,867,267 invested in a broad range of governmental and business-type capital assets, including buildings, land, equipment, and utilities. In addition, the Township has made certain investments in roads and drains within DeWitt Charter Township. These assets are not reported in DeWitt Charter Township's financial statements as capital assets because under Michigan law these roads and drains are the property of the Clinton County Road and Drain Commissions, respectively.

Long-term Debt. The Township issued an Installment Purchase Agreement for \$250,000 towards the purchase of new fire apparatus in January, 2005. The debt will be retired in January, 2009.

Current Economic Factors

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems and as they look for solutions revenue sharing continues to be under attack. Should the statutory component of Revenue Sharing be eliminated through State budget cuts, DeWitt Charter Township would experience a significant revenue loss.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Manager or Treasurer at the Township Hall.

BASIC FINANCIAL STATEMENTS

DeWitt Charter Township
STATEMENT OF NET ASSETS
December 31, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,341,134	\$ 354,848	\$ 1,695,982
Investments	1,137,895	835,097	1,972,992
Receivables	1,563,853	401,429	1,965,282
Due from other governmental units	157,805	-	157,805
Internal balances	72,946	(72,946)	-0-
Total current assets	4,273,633	1,518,428	5,792,061
Noncurrent assets			
Investment in SCCMUA	-	3,859,677	3,859,677
Investments	-	1,631,907	1,631,907
Capital assets, net	9,614,471	12,252,796	21,867,267
Total noncurrent assets	9,614,471	17,744,380	27,358,851
TOTAL ASSETS	13,888,104	19,262,808	33,150,912
LIABILITIES			
Current liabilities			
Accounts payable	91,223	3,450	94,673
Accrued liabilities	46,146	-	46,146
Accrued interest payable	28,753	2,167	30,920
Deferred revenue	2,434,798	352,274	2,787,072
Current portion of compensated absences	78,630	-	78,630
Current portion of long-term debt	288,623	100,000	388,623
Total current liabilities	2,968,173	457,891	3,426,064
Noncurrent liabilities			
Compensated absences	58,513	-	58,513
Noncurrent portion of long-term debt	2,621,279	100,000	2,721,279
Total noncurrent liabilities	2,679,792	100,000	2,779,792
TOTAL LIABILITIES	5,647,965	557,891	6,205,856
NET ASSETS			
Invested in capital assets, net of related debt	6,704,569	12,248,608	18,953,177
Restricted for			
Debt service	20,673	-	20,673
Other purposes	154,626	-	154,626
Unrestricted	1,360,271	6,456,309	7,816,580
TOTAL NET ASSETS	\$ 8,240,139	\$ 18,704,917	\$ 26,945,056

See accompanying notes to financial statements.

DeWitt Charter Township

STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,320,437	\$ 692,442	\$ 113,569	\$ -	\$ (514,426)	\$ -	\$ (514,426)
Public safety	1,695,632	17,300	2,697	-	(1,675,635)	-	(1,675,635)
Public works	258,275	127,165	-	-	(131,110)	-	(131,110)
Community and economic development	453,483	-	-	-	(453,483)	-	(453,483)
Recreation and cultural	195,180	36,409	-	3,942,926	3,784,155	-	3,784,155
Interest on long-term debt	142,536	-	-	-	(142,536)	-	(142,536)
Total governmental activities	4,065,543	873,316	116,266	3,942,926	866,965	-0-	866,965
Business-type activities:							
Sewer system	2,334,597	1,638,794	-	276,168	-	(419,635)	(419,635)
Water system	19,708	-	-	-	-	(19,708)	(19,708)
Total business-type activities	2,354,305	1,638,794	-0-	276,168	-0-	(439,343)	(439,343)
Total government	\$ 6,419,848	\$ 2,512,110	\$ 116,266	\$ 4,219,094	866,965	(439,343)	427,622
General revenues:							
Property taxes					2,388,722	-	2,388,722
State shared revenues					929,445	-	929,445
Investment earnings					95,278	90,486	185,764
Equity interest in SCCMUA operations					-	392,209	392,209
Miscellaneous					227,570	-	227,570
Transfers					26,278	(26,278)	-0-
Total general revenues					3,667,293	456,417	4,123,710
Change in net assets					4,534,258	17,074	4,551,332
Net assets, beginning of the year					3,705,881	18,687,843	22,393,724
Net assets, end of the year					\$ 8,240,139	\$ 18,704,917	\$ 26,945,056

See accompanying notes to financial statements.

DeWitt Charter Township

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2005

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$1,207,983	\$ 133,151	\$ 1,341,134
Investments	1,137,895	-	1,137,895
Receivables			
Accounts	157,131	-	157,131
Taxes	1,319,702	-	1,319,702
Special assessments	-	87,020	87,020
Due from other governmental units	157,805	-	157,805
Due from other funds	74,364	5,253	79,617
TOTAL ASSETS	\$4,054,880	\$ 225,424	\$ 4,280,304
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Payables			
Accounts	\$ 80,369	\$ 10,854	\$ 91,223
Accrued wages	46,146	-	46,146
Due to other funds	-	6,671	6,671
Deferred revenue	2,403,910	30,888	2,434,798
TOTAL LIABILITIES	2,530,425	48,413	2,578,838
FUND BALANCES			
Reserved for:			
Debt service	-	7,127	7,127
Unreserved			
Designated for fire equipment	14,700	-	14,700
Designated for police equipment	40,770	-	40,770
Designated for future expenditures	60,351	-	60,351
Designated for road improvements	50,000	-	50,000
Undesignated, reported in:			
General fund	1,358,634	-	1,358,634
Special revenue funds	-	156,338	156,338
Debt service fund	-	13,546	13,546
TOTAL FUND BALANCES	1,524,455	177,011	1,701,466
TOTAL LIABILITIES AND FUND BALANCES	\$4,054,880	\$ 225,424	\$ 4,280,304

See accompanying notes to financial statements.

DeWitt Charter Township

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2005

Total fund balance - governmental funds **\$ 1,701,466**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 11,697,976	
Accumulated depreciation is	<u>(2,083,505)</u>	
Capital assets, net		9,614,471

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Bonds and loans payable	2,909,902	
Accrued interest payable	28,753	
Compensated absences	<u>137,143</u>	
		<u>(3,075,798)</u>

Net assets of governmental activities **\$ 8,240,139**

See accompanying notes to financial statements.

DeWitt Charter Township

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended December 31, 2005

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 2,397,038	\$ -	\$ 2,397,038
Licenses and permits	299,789	-	299,789
Intergovernmental	935,850	116,266	1,052,116
Fines and forfeits	-	3,294	3,294
Charges for services	360,747	-	360,747
Interest and rents	130,355	1,223	131,578
Other	203,842	166,211	370,053
TOTAL REVENUES	4,327,621	286,994	4,614,615
EXPENDITURES			
Current			
General government	1,237,799	-	1,237,799
Public safety	1,584,454	11,635	1,596,089
Public works	81,875	154,916	236,791
Community and economic development	453,483	-	453,483
Recreation and cultural	115,274	-	115,274
Debt service	86,569	268,169	354,738
Capital outlay	1,199,971	-	1,199,971
TOTAL EXPENDITURES	4,759,425	434,720	5,194,145
EXCESS OF REVENUES (UNDER) EXPENDITURES	(431,804)	(147,726)	(579,530)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	15,982	-	15,982
Loan proceeds	250,000	-	250,000
Transfers in	26,278	155,644	181,922
Transfers out	(155,644)	-	(155,644)
TOTAL OTHER FINANCING SOURCES (USES)	136,616	155,644	292,260
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(295,188)	7,918	(287,270)
Fund balances, beginning of year	1,819,643	169,093	1,988,736
Fund balances , end of year	\$ 1,524,455	\$ 177,011	\$ 1,701,466

See accompanying notes to financial statements.

DeWitt Charter Township

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Net change in fund balances - total governmental funds **\$ (287,270)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	1,237,318	
Depreciation	<u>(310,796)</u>	
Excess of capital outlay over depreciation expense		926,522

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond and loan principal retirement	218,070	
Loan proceeds	<u>(250,000)</u>	
		(31,930)

Some items reported in the statement of activities are not available to finance expenditures of the fiscal period and therefore are not reported as revenues in governmental funds. These activities consist of:

Capital contributions		3,942,926
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	(5,868)	
(Increase) in accrued compensated absences	<u>(10,122)</u>	
		<u>(15,990)</u>

Change in net assets of governmental activities **\$ 4,534,258**

See accompanying notes to financial statements.

DeWitt Charter Township

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2005

	Sewer System	Nonmajor Enterprise Fund (Water System)	Total Proprietary Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ (206,958)	\$ 561,806	\$ 354,848
Investments	466,461	368,636	835,097
Accounts receivable	399,898	1,531	401,429
Due from other funds	1,810	-	1,810
Total current assets	661,211	931,973	1,593,184
Noncurrent assets			
Investment in SCCMUA	3,859,677	-	3,859,677
Investments	1,397,029	234,878	1,631,907
Capital assets, net of accumulated depreciation	12,252,796	-	12,252,796
Total noncurrent assets	17,509,502	234,878	17,744,380
TOTAL ASSETS	18,170,713	1,166,851	19,337,564
LIABILITIES			
Current liabilities			
Accounts payable	3,450	-	3,450
Accrued interest payable	2,167	-	2,167
Due to other funds	10,223	64,533	74,756
Deferred revenue	352,274	-	352,274
Current portion of long-term debt	100,000	-	100,000
Total current liabilities	468,114	64,533	532,647
Noncurrent liabilities			
Revenue bonds payable	100,000	-	100,000
TOTAL LIABILITIES	568,114	64,533	632,647
NET ASSETS			
Invested in capital assets, net of related debt	12,248,608	-	12,248,608
Unrestricted	5,353,991	1,102,318	6,456,309
TOTAL NET ASSETS	\$ 17,602,599	\$ 1,102,318	\$ 18,704,917

See accompanying notes to financial statements.

DeWitt Charter Township

Proprietary Funds

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2005

	Sewer System	Nonmajor Enterprise Fund (Water System)	Total Proprietary Funds
OPERATING REVENUES			
Charges for services	\$ 1,339,500	\$ -	\$ 1,339,500
Penalties	19,442	-	19,442
TOTAL OPERATING REVENUES	1,358,942	-0-	1,358,942
OPERATING EXPENSES			
Administrative charges	120,000	1,000	121,000
Legal, accounting, and engineering	10,643	1,500	12,143
Contractual service	2,004,216	-	2,004,216
Supplies	3,478	-	3,478
Repairs and maintenance	-	17,208	17,208
Depreciation	180,776	-	180,776
TOTAL OPERATING EXPENSES	2,319,113	19,708	2,338,821
OPERATING LOSS	(960,171)	(19,708)	(979,879)
NONOPERATING REVENUES (EXPENSES)			
Equity interest in 2005 SCCMUA operations	392,209	-	392,209
Contributions - developers	276,168	-	276,168
Permits	4,300	-	4,300
Tap in fees	275,552	-	275,552
Interest revenue	61,306	29,180	90,486
Interest expense	(15,167)	-	(15,167)
Fiscal agent fees	(317)	-	(317)
TOTAL NONOPERATING REVENUES (EXPENSES)	994,051	29,180	1,023,231
NET INCOME BEFORE TRANSFERS	33,880	9,472	43,352
TRANSFERS OUT	-	(26,278)	(26,278)
CHANGE IN NET ASSETS	33,880	(16,806)	17,074
Net assets, beginning of year	17,568,719	1,119,124	18,687,843
Net assets, end of year	<u>\$ 17,602,599</u>	<u>\$ 1,102,318</u>	<u>\$ 18,704,917</u>

See accompanying notes to financial statements.

DeWitt Charter Township

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

	Sewer System	Nonmajor Enterprise Fund (Water System)	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 1,369,506	\$ 27,622	\$ 1,397,128
Cash paid to suppliers	(1,986,028)	(18,708)	(2,004,736)
Cash paid for administrative charges	(120,000)	(1,000)	(121,000)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(736,522)	7,914	(728,608)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Permits revenue	4,300	-	4,300
Fiscal agent fees	(317)	-	(317)
Tap in fees	275,552	-	275,552
Transfers out	-	(26,278)	(26,278)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	279,535	(26,278)	253,257
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest expense	(15,167)	-	(15,167)
Payments of borrowing	(100,000)	-	(100,000)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(115,167)	-0-	(115,167)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	61,306	29,180	90,486
Purchases of investments	(214,090)	(15,711)	(229,801)
Maturities of investments	154,647	-	154,647
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,863	13,469	15,332
NET (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	(570,291)	(4,895)	(575,186)
Cash and cash equivalents, beginning of year	363,333	566,701	930,034
Cash and cash equivalents, end of year	\$ (206,958)	\$ 561,806	\$ 354,848

DeWitt Charter Township

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2005

	Sewer System	Nonmajor Enterprise Fund (Water System)	Total Proprietary Funds
Reconciliation of operating (loss) to net cash (used) by operating activities			
Operating (loss)	\$ (960,171)	\$ (19,708)	\$ (979,879)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities			
Depreciation	180,776	-	180,776
(Increase) in receivables	(13,819)	-	(13,819)
Decrease in due from other funds	24,383	-	24,383
Increase in accounts payable	988	-	988
(Decrease) in accrued interest payable	(1,083)	-	(1,083)
Increase in due to other funds	10,223	27,622	37,845
Increase in deferred revenue	22,181	-	22,181
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (736,522)</u>	<u>\$ 7,914</u>	<u>\$ (728,608)</u>

Note: The Township adjusted its equity interest in 2005 Southern Clinton County Municipal Utilities Authority operations in the Sewer System Fund for \$392,209 to reflect the current activity at SCCMUA.

In 2005, the Sewer System recorded an increase in capital assets and contributions from developers, respectively, of \$276,168 as a result of construction costs related to developer projects.

See accompanying notes to financial statements.

DeWitt Charter Township

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2005

	Agency Funds		Total Fiduciary Funds
	Trust and Agency	Current Tax Collection	
ASSETS			
Cash and cash equivalents	\$ 351,525	\$ 1,742,369	\$ 2,093,894
Due from individuals and agencies	-	3,515	3,515
TOTAL ASSETS	\$ 351,525	\$ 1,745,884	\$ 2,097,409
LIABILITIES			
Due to other governmental units			
State	\$ -	\$ 16,022	\$ 16,022
County	-	646,067	646,067
Schools	-	987,563	987,563
Library	-	75,183	75,183
Clinton Area Transit System	-	21,049	21,049
Due to individuals and agencies	336,823	-	336,823
Undistributed taxes	14,702	-	14,702
	\$ 351,525	\$ 1,745,884	\$ 2,097,409

See accompanying notes to financial statements.

DeWitt Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DeWitt Charter Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an appointed Township Superintendent and an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees and provides services to its residents in many areas including general government, highways and streets, fire protection, law enforcement, and sewer utility services.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of DeWitt Charter Township (primary government). The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of DeWitt Charter Township contain all the funds controlled by the Township Board.

2. Joint Ventures

DeWitt Charter Township is a member of the Southern Clinton County Municipal Utilities Authority (SCCMUA). The purpose of the Authority is to operate, maintain, administer, and manage a sewage disposal system for the benefit of the constituent municipalities.

The governing body of the Authority is appointed by the constituent municipalities, and representation is based upon the purchased capacity of each municipality. DeWitt Charter Township currently is represented by five (5) of the ten (10) members of the Authority board. The annual budget of the Authority is submitted to the constituent municipalities and must be approved by a 2/3 vote of the members-elect of the Authority. A copy of SCCMUA's audit can be obtained at their administrative offices.

The members of the Authority and approximate percentage of responsibility are as follows:

DeWitt Charter Township	56%
City of DeWitt	11%
Watertown Township	16%
Bath Charter Township	17%

For the year ended December 31, 2005, DeWitt Charter Township contributed \$2,004,216 to cover its share of operational costs, construction in progress, and reserve activities.

Additionally, an investment in SCCMUA is recorded to reflect the current carrying value at December 31, 2005, of the cumulative effect of SCCMUA operations relating to the Township equity share in the joint venture from inception-to-date. DeWitt Charter Township had recorded their portion of the initial cost of construction of the Authority facilities as capital assets in the Sewer and Water System (Enterprise) Funds, however the portion of those costs relating to the Water System has been eliminated as the Township transferred ownership of its water system to the Lansing Board of Water & Light during the fiscal year ended December 31, 2000.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Joint Ventures - continued

DeWitt Charter Township is a member of the DeWitt Area Recreation Authority, which is a joint venture between DeWitt Charter Township and the City of DeWitt. The Authority was established in 2003 to provide recreation services. The Authority's activities are overseen by a six (6) member board of Directors, with each municipality appointing three (3) members. Each municipality provides annual appropriations to subsidize operations. The current funding formula approved by the Authority requires DeWitt Charter Township and the City of DeWitt to provide approximately 68 and 32 percent, respectively. In 2005 the Township contributed \$67,840. A copy of the DeWitt Area Recreation Authority's audit can be obtained from DeWitt Charter Township's administrative offices.

3. Jointly Governed Organizations

The Township participates in the following activity which is considered to be a jointly governed organization in relation to the Township, due to there being no ongoing financial interest or responsibility:

Under Public Act 24 of 1989, DeWitt Charter Township, in conjunction with the City of DeWitt, created the DeWitt Public Library which is considered a District Library. In 2005, the Library began to serve a portion of Watertown Charter Township. The DeWitt Public Library board is composed of seven (7) members, three (3) of which are appointed by DeWitt Charter Township. The Township has no financial responsibility to the Library.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

- b. The Sewer System is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) is financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide, proprietary, and fiduciary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues which are considered measurable, but not available, are recorded as a receivable and deferred revenue. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

The proprietary funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

DeWitt Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

The General Fund budget shown as required supplementary information was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1, the Township Manager submits a proposed operating budget for the fiscal year commencing the following January 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to November 1, the budget is adopted through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- d. Formal budgetary integration is employed as a management control device during the year.
- e. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

8. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and investment trust fund accounts. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include U.S. Government Securities and certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at market value.

9. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the Township from special assessment, and taxes levied that have not been collected.

DeWitt Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Property Tax

DeWitt Charter Township bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1, and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection.

The Township's property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Although the Township's 2005 tax is levied and collectible on December 1, 2005, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations.

The Township is permitted to levy up to \$5 per \$1,000 of taxable valuation for general governmental service and additional amounts for special and debt services. For the year ended December 31, 2005, the Township levied 3.9736 mills for general governmental services, .9871 mills for police services, and .9871 mills for fire services. The total taxable value for the 2004 levy for the property within the Township was \$376,991,569.

11. Capital Assets

Capital assets include land, land improvements, buildings, equipment, vehicles, and sewer system and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental and business-type activities columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	20 years
Buildings and improvements	25 - 40 years
Sewer system/lines/pump stations	75 - 100 years
Machinery and equipment	40 - 30 years
Vehicles	4 - 20 years
Office furniture and equipment	14 - 25 years

12. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

DeWitt Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Deferred Revenue

Deferred revenue consists of property taxes for which there is an enforceable claim as of December 31, 2005, but which are levied to finance year 2006 operations and sewer tap-in fees the Township received for services it has not yet provided. Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Government-wide and proprietary financial statements report deferred revenues that are unavailable to liquidate liabilities of the current period.

14. Accrued Vacation and Sick Pay

In accordance with the Township personnel policies and/or contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of December 31, 2005, including related payroll taxes, is recorded entirely in the government-wide financial statements.

15. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Interfund Transactions

During the course of normal operations the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The General Fund records administrative charges to various funds as revenue. All funds record these payments as operating expenditures/expenses.

17. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the federal loan mortgage corporation, federal national mortgage association or government national mortgage association.

Deposits

There is a custodial credit risk as it related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2005, the carrying amount of the Township's deposits was \$4,851,852 and the bank balance was \$5,151,903.

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of December 31, 2005, the Township accounts were insured by the FDIC for \$1,051,165 and the amount of \$4,100,738 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of the uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

DeWitt Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Investments

As of December 31, 2005, the carrying amounts and market values for the investments were as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>
Insured or registered for which the securities are held by the Township's agent in the Township's name			
Federal Home Loan Mortgage Corporation	\$ 874,663	5-6 years	AAA
Federal National Mortgage Association	1,321,890	5-6 years	AAA
Government National Mortgage Association	32,852	5-6 years	AAA
U.S. Treasury Securities	<u>226,204</u>	8 years	AAA
	2,455,609		
Uncategorized pooled investment funds	<u>86,864</u>	N/A	N/A
	<u>\$ 2,542,473</u>		

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2005, the Township investment in the Federal Home Loan Mortgage Corporation, Federal National Mortgage, Government National Mortgage Association, and U.S. Treasury Securities investments were rated AAA by Standard and Poor's.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

DeWitt Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2005:

	Primary Government	Fiduciary	Total
Cash and cash equivalents	\$ 1,695,982	\$ 2,093,894	3,789,876
Investments	<u>3,604,899</u>	<u>-</u>	<u>3,604,899</u>
	<u>\$ 5,300,881</u>	<u>\$ 2,093,894</u>	<u>\$ 7,394,775</u>

The cash and cash equivalents caption on the financial statements include \$150 in petty cash and \$300 held in trust with Ingham County.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at December 31, 2005, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	\$ 6,671
Nonmajor proprietary fund	57,470
Sewer System Fund	<u>10,223</u>
	74,364
Due to Sewer System Fund from:	
Nonmajor proprietary fund	1,810
Due to nonmajor governmental funds from:	
Nonmajor proprietary fund	<u>5,253</u>
	<u>\$ 81,427</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers.

Transfers to General Fund from:	
Nonmajor proprietary fund	<u>\$ 26,278</u>
Transfers to nonmajor governmental funds from:	
General Fund	<u>\$ 155,644</u>

DeWitt Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

Governmental activities

	Balance <u>Jan. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2005</u>
Capital assets not being depreciated				
Land	\$ 874,315	\$ 1,276,310	\$ -	\$ 2,150,625
Construction in progress	<u>459,470</u>	<u>-</u>	<u>133,384</u>	<u>326,086</u>
Total capital assets not being depreciated	1,333,785	1,276,310	133,384	2,476,711
Capital assets being depreciated				
Land improvements	-	2,800,000	-	2,800,000
Buildings and improvements	3,951,000	443,812	-	4,394,812
Machinery and equipment	400,971	41,121	-	442,092
Vehicles	745,945	744,817	62,094	1,428,668
Office equipment and furniture	<u>148,125</u>	<u>7,568</u>	<u>-</u>	<u>155,693</u>
Total capital assets being depreciated	5,246,041	4,037,318	62,094	9,221,265
Less accumulated depreciation for:				
Land improvements	-	(58,333)	-	(58,333)
Buildings and improvements	(1,035,234)	(110,933)	-	(1,146,167)
Machinery and equipment	(225,319)	(47,415)	-	(272,734)
Vehicles	(489,319)	(80,892)	(62,094)	(508,117)
Office equipment and furniture	<u>(84,931)</u>	<u>(13,223)</u>	<u>-</u>	<u>(98,154)</u>
Total accumulated depreciation	<u>(1,834,803)</u>	<u>(310,796)</u>	<u>(62,094)</u>	<u>(2,083,505)</u>
Net capital assets being depreciated	<u>3,411,238</u>	<u>3,726,522</u>	<u>-0-</u>	<u>7,137,760</u>
Net capital assets - governmental activities	<u>\$ 4,745,023</u>	<u>\$ 5,002,832</u>	<u>\$ 133,384</u>	<u>\$ 9,614,471</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 72,516
Public safety	136,890
Public works	21,484
Recreation and cultural	<u>79,906</u>
Total depreciation expense	<u>\$ 310,796</u>

DeWitt Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE E: CAPITAL ASSETS - CONTINUED**Business-type activities**

	<u>Balance Jan. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2005</u>
Capital assets being depreciated				
Sewer system	\$15,514,483	\$ 276,168	\$ -	\$15,790,651
Equipment	<u>74,707</u>	<u>-</u>	<u>-</u>	<u>74,707</u>
Total capital assets being depreciated	15,589,190	276,168	-0-	15,865,358
Less accumulated depreciation for:				
Sewer system	(3,357,078)	(180,776)	-	(3,537,854)
Equipment	<u>(74,707)</u>	<u>(-)</u>	<u>-</u>	<u>(74,707)</u>
Total accumulated depreciation	<u>(3,431,786)</u>	<u>(180,776)</u>	<u>-0-</u>	<u>(3,612,561)</u>
Net capital assets - business-type activities	<u>\$12,157,404</u>	<u>\$ 95,392</u>	<u>\$ -0-</u>	<u>\$12,252,796</u>

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended December 31, 2005:

	<u>Balance Jan. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2005</u>	<u>Amount Due Within One Year</u>
Governmental activities					
1998 General Obligation Bonds	\$ 1,830,000	\$ -	\$ 75,000	\$ 1,755,000	\$ 80,000
1991 Limited Tax General Obligation Bonds	139,972	-	67,070	72,902	72,902
1995 Limited Tax General Obligation Bonds	320,000	-	20,000	300,000	20,000
Installment loan payable - fire station	588,000	-	56,000	532,000	56,000
Installment loan payable - fire truck	-	250,000	-	250,000	59,721
Accrued vacation and sick pay	<u>127,021</u>	<u>10,122</u>	<u>-</u>	<u>137,143</u>	<u>78,630</u>
	3,004,993	260,122	218,070	3,047,045	367,253
Business-type activities					
1978 Revenue Bonds	<u>300,000</u>	<u>-</u>	<u>100,000</u>	<u>200,000</u>	<u>100,000</u>
	<u>\$ 3,304,993</u>	<u>\$ 260,122</u>	<u>\$ 318,070</u>	<u>\$ 3,247,045</u>	<u>\$ 467,253</u>

DeWitt Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE F: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portion) are presented below:

\$2,150,000 Unlimited General Obligation Township Facility Construction Bonds, Series 1998, dated December 1, 1998 due in annual installments ranging from \$80,000 to \$160,000 through May 1, 2020 with interest ranging from 4.375 to 4.625 percent, payable semi-annually.	\$ 1,755,000
\$1,140,000 Limited Tax General Obligation Clinton County Water Supply System Bonds, Series 1991 (Township share \$665,483), dated April 1, 1991, Township share due in a final installment of \$72,902 on May 1, 2006, with interest of 5.50 percent, payable semi-annually.	72,902
\$450,000 Limited Tax General Obligation Clinton County Water Supply System Bonds, Series 1995, dated July 1, 1995, due in annual installments ranging from \$20,000 to \$40,000 through May 1, 2015, with interest ranging from 5.70 to 6.20 percent, payable semi-annually.	300,000
\$1,400,000 Clinton County Sanitary Sewage Treatment and Disposal System No. 7 Bonds, Series A, dated August 1, 1978, due in annual installments of \$100,000 through May 1, 2007, with interest of 6.50 percent, payable semi-annually.	200,000
\$840,000 Installment Purchase Agreement, due in semi-annual installments of \$28,000 through May 1, 2015, with interest at 5.33%, payable semi-annually, for property acquisition and construction of a fire station.	532,000
\$250,000 Installment Purchase Agreement, due in semi-annual installments of \$67,325 through January 1, 2009, with interest at 3.0%, payable semi-annually, for the purchase of a fire truck.	<u>250,000</u>
	<u>\$ 3,109,902</u>

Accrued Vacation and Sick Pay

In accordance with the Township personnel policies and/or contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$137,143 for vacation and sick at December 31, 2005. The amounts of \$78,630 and \$58,513 have been reported as current and noncurrent liabilities, respectively.

DeWitt Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE F: LONG-TERM DEBT - CONTINUED

The annual requirements to pay the debt principal and interest outstanding for the bonds and installment purchase agreements are as follows:

Year Ending December 31,	1998 Unlimited Tax General Obligation Bonds		Water Supply System Limited Tax General Obligation Bonds		Sewer System Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 80,000	\$ 77,254	\$ 92,902	\$ 19,585	\$ 100,000	\$ 9,750
2007	85,000	73,644	25,000	16,285	100,000	3,250
2008	90,000	69,816	25,000	14,823	-	-
2009	95,000	65,769	25,000	13,335	-	-
2010	100,000	61,441	30,000	11,685	-	-
2011-2015	575,000	233,519	175,000	28,298	-	-
2016-2020	<u>730,000</u>	<u>87,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,755,000</u>	<u>\$ 668,702</u>	<u>\$ 372,902</u>	<u>\$ 104,011</u>	<u>\$ 200,000</u>	<u>\$ 13,000</u>

Year Ending December 31,	Installment Purchase Agreements		Total	
	Principal	Interest	Principal	Interest
2006	\$ 115,721	\$ 35,213	\$ 388,623	\$ 141,802
2007	117,537	30,413	327,537	123,592
2008	119,409	25,556	234,409	110,195
2009	121,333	20,648	241,333	99,752
2010	56,000	15,670	186,000	88,796
2011-2015	252,000	33,579	1,002,000	295,396
2016-2020	<u>-</u>	<u>-</u>	<u>730,000</u>	<u>87,259</u>
	<u>\$ 782,000</u>	<u>\$ 161,079</u>	<u>\$ 3,109,902</u>	<u>\$ 946,792</u>

During the year ended December 31, 2000, the Township entered into an agreement with the Lansing Board of Water & Light (BWL) transferring ownership of the Water System to the BWL. In return, the BWL has agreed to transfer funds to the Township sufficient to pay the General Obligation Bond liability related to the Water System as it becomes due. Because the Water System debt is no longer intended to be repaid with usage fees generated by the system, the Water Supply System Limited Tax General Obligation Bonds were transferred from the Water System Fund and are recorded on the Statement of Net Assets and a Debt Service Fund has been established to account for future debt payments.

DeWitt Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G: RETIREMENT PLAN

TOWNSHIP GENERAL

DeWitt Charter Township is the sponsor of a defined contribution retirement plan for the sole benefit of its employees excluding the supervisory and nonsupervisory police personnel for the Township. The DeWitt Charter Township Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on a preestablished wage-based contribution schedule with the Township contributing 100% of the amount. Employees may elect to contribute additional amounts ranging from 1 to 10 percent of their compensation. During the year ended December 31, 2005, DeWitt Charter Township made contributions for all eligible participating employees equal to 10% of their base compensation. To be eligible to participate, an employee must be full-time, eighteen (18) years of age, and have completed six (6) months of services. Elected officials are not required to fulfill the service requirements. The eligibility computation period is the six (6) month period that begins with the date hired.

All eligible employees participate in the plan. The contributions fund the premiums for ordinary life insurance tax deferred annuities and various pooled investment funds with the John Hancock Life Insurance Company.

For the year ended December 31, 2005, the DeWitt Charter Township had a total payroll excluding the supervisory and nonsupervisory police employees of \$1,167,847. The DeWitt Charter Township Defined Contribution Retirement Plan had a covered payroll of \$1,296,790. DeWitt Charter Township made employer contributions to the retirement plan in the amount of \$129,679.

POLICE

Plan Description

The Township also participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all supervisory and nonsupervisory Police employees of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries.

The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's collective bargaining units and requires no contribution from the employees. The Township is required to provide amounts necessary to fund the system.

Annual Pension Cost

For year ended December 31, 2005, the Township's annual pension cost of \$76,221 for the plan was equal to the Township's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation as of December 31, 2003, using the entry age normal actuarial method. Actual required contributions were based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 8.40% per year, depending on age, attributable to seniority/merit and promotional salary increases and the assumption that benefits will increase 2.5% annually for persons under Benefit E-1 or E-2. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

DeWitt Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE G: RETIREMENT PLAN - CONTINUED

Three (3) year trend information

	Year Ended December 31,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial value of assets	\$ 959,006	\$ 1,102,683	\$ 1,269,436
Actuarial Accrued Liability (entry age)	1,158,830	1,415,194	1,540,965
Unfunded AAL	199,824	312,511	271,529
Funded ratio	83 %	78 %	82 %
Covered payroll	614,120	713,341	667,349
UAAL as a percentage of covered payroll	33 %	44 %	41 %

	Year Ended December 31,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Annual pension cost	\$ 140,967	\$ 65,182	\$ 76,221
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTE H: RISK MANAGEMENT

The Township carries commercial insurance for the risk of loss due to workers' compensation claims.

The Township also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

NOTE I: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balances are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance and fund net assets indicate that portion of the fund equity which the Township has set aside for specific purposes.

The following are the various fund balance reserves as of December 31, 2005:

Debt Service Funds	
1998 G.O. Bonds	
Reserved for debt service	\$ 1,874
Water System Bonds	
Reserved for debt service	<u>5,253</u>
 TOTAL PRIMARY GOVERNMENT	 <u>\$ 7,127</u>

DeWitt Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE I: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

The following are fund balance designations as of December 31, 2005:

General Fund	
Designated for fire equipment	\$ 14,700
Designated for police equipment	40,770
Designated for road improvements	50,000
Designated for future expenditures	<u>60,351</u>
	<u>\$ 165,821</u>

The following is a net assets designation as of December 31, 2005:

Enterprise Funds	
Sewer System	
Designated for sewer improvements	<u>\$ 1,400,000</u>

NOTE J: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2005:

Governmental activities	
Debt Service	
Remy Chandler	\$ 13,546
1998 G.O. Bonds	1,874
Water System Bonds	<u>5,253</u>
	<u>\$ 20,673</u>
Other Purposes	
Drug law enforcement	\$ 4,666
Street lighting	<u>149,960</u>
	<u>\$ 154,626</u>

REQUIRED SUPPLEMENTARY INFORMATION

DeWitt Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current property taxes				
General	\$ 1,498,014	\$ 1,498,014	\$ 1,491,572	\$ (6,442)
Police	372,128	372,128	370,508	(1,620)
Fire	372,128	372,128	370,508	(1,620)
Other	80,000	80,000	105,817	25,817
Delinquent property taxes	6,000	6,000	10,723	4,723
Tax collection fees	36,000	36,000	37,530	1,530
Trailer taxes	6,000	6,000	10,380	4,380
Total taxes	2,370,270	2,370,270	2,397,038	26,768
Licenses and permits				
Building and zoning permits	215,000	215,000	160,995	(54,005)
Franchise fees	130,000	130,000	138,794	8,794
Total licenses and permits	345,000	345,000	299,789	(45,211)
Intergovernmental				
State shared revenue	950,000	950,000	929,445	(20,555)
Liquor licenses	6,500	6,500	6,405	(95)
Total intergovernmental	956,500	956,500	935,850	(20,650)
Charges for services				
Administration charges	120,000	120,090	121,000	910
Court fees	60,000	60,000	63,347	3,347
Inspection fees	120,000	120,000	116,024	(3,976)
Building registration fees	2,500	2,500	2,817	317
Park fees and programs	10,000	10,000	36,409	26,409
Cemetery lots and grave openings	19,000	19,000	13,549	(5,451)
Fire runs and protection	2,000	2,000	4,435	2,435
Police fees - OUIL recovery	8,500	8,500	2,040	(6,460)
Alarm ordinance revenue	-	-	1,126	1,126
Total charges for services	342,000	342,090	360,747	18,657
Interest and rents				
Interest - regular	60,000	60,000	90,025	30,025
Interest - tax collections	3,000	3,000	4,030	1,030
Rental fees	36,600	36,600	36,300	(300)
Total interest and rents	99,600	99,600	130,355	30,755

DeWitt Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONTINUED				
Other				
Reimbursements	\$ 120,000	\$ 120,000	\$ 195,629	\$ 75,629
Other sales	8,000	8,000	8,213	213
Total other	128,000	128,000	203,842	75,842
TOTAL REVENUES	4,241,370	4,241,460	4,327,621	86,161
EXPENDITURES				
General government				
Township board	29,350	29,350	27,288	2,062
Supervisor	18,650	18,650	18,309	341
Township manager	177,330	177,330	173,406	3,924
Elections	12,475	13,775	13,355	420
Assessor	159,575	159,575	151,680	7,895
Clerk	120,008	120,008	117,459	2,549
Board of Review	1,380	1,380	969	411
Treasurer	136,029	136,029	127,632	8,397
Building and grounds	280,200	291,200	275,103	16,097
Community center	25,500	25,500	22,609	2,891
Township hall	273,630	273,630	262,756	10,874
Other	159,800	159,800	47,233	112,567
Total general government	1,393,927	1,406,227	1,237,799	168,428
Public safety				
Police department	1,265,025	1,265,025	1,222,065	42,960
Fire department	376,753	376,753	362,389	14,364
Total public safety	1,641,778	1,641,778	1,584,454	57,324
Public works				
Drains	2,171	9,171	9,151	20
Highways and streets	60,000	146,000	72,724	73,276
Total public works	62,171	155,171	81,875	73,296
Community and economic development				
Building and zoning	263,568	265,068	260,445	4,623
Planning department	214,354	214,354	193,038	21,316
Total community and economic development	477,922	479,422	453,483	25,939

DeWitt Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES - CONTINUED				
Recreation and cultural				
Parks and recreation	\$ 90,690	\$ 122,690	\$ 115,274	\$ 7,416
Debt service	86,594	86,594	86,569	25
Capital outlay	670,228	1,350,968	1,199,971	150,997
TOTAL EXPENDITURES	4,423,310	5,242,850	4,759,425	483,425
EXCESS OF REVENUES (UNDER) EXPENDITURES	(181,940)	(1,001,390)	(431,804)	569,586
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	5,000	5,000	15,982	10,982
Loan proceeds	-	-	250,000	250,000
Transfers in	28,768	28,768	26,278	(2,490)
Transfers out	(155,945)	(155,945)	(155,644)	301
TOTAL OTHER FINANCING SOURCES (USES)	(122,177)	(122,177)	136,616	258,793
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(304,117)	(1,123,567)	(295,188)	828,379
Fund balance, beginning of year	1,819,643	1,819,643	1,819,643	-0-
Fund balance, end of year	\$ 1,515,526	\$ 696,076	\$ 1,524,455	\$ 828,379

OTHER SUPPLEMENTARY INFORMATION

DeWitt Charter Township

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2005

	Special Revenue		
	Police Training	Street Lighting	Drug Forfeiture
ASSETS			
Cash and cash equivalents	\$ 1,712	\$ 97,325	\$ 4,666
Special assessments receivable	-	70,160	-
Due from other funds	-	-	-
TOTAL ASSETS	<u>\$ 1,712</u>	<u>\$ 167,485</u>	<u>\$ 4,666</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 10,854	\$ -
Due to other funds	-	6,671	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	17,525	-0-
FUND BALANCES			
Reserved for debt service	-	-	-
Unreserved			
Undesignated reported in:			
Special revenue funds	1,712	149,960	4,666
Debt service fund	-	-	-
TOTAL FUND BALANCES	<u>1,712</u>	<u>149,960</u>	<u>4,666</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,712</u>	<u>\$ 167,485</u>	<u>\$ 4,666</u>

Debt Service			Total Nonmajor Governmental Funds
Remy Chandler	1998 G.O. Bonds	Water System Bonds	
\$ 27,574	\$ 1,874	\$ -	\$ 133,151
16,860	-	-	87,020
-	-	5,253	5,253
<u>\$ 44,434</u>	<u>\$ 1,874</u>	<u>\$ 5,253</u>	<u>\$ 225,424</u>
\$ -	\$ -	\$ -	\$ 10,854
-	-	-	6,671
30,888	-	-	30,888
<u>30,888</u>	<u>-0-</u>	<u>-0-</u>	<u>48,413</u>
-	1,874	5,253	7,127
-	-	-	156,338
13,546	-	-	13,546
<u>13,546</u>	<u>1,874</u>	<u>5,253</u>	<u>177,011</u>
<u>\$ 44,434</u>	<u>\$ 1,874</u>	<u>\$ 5,253</u>	<u>\$ 225,424</u>

DeWitt Charter Township

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2005

	Special Revenue		
	Police Training	Street Lighting	Drug Forfeiture
REVENUES			
Intergovernmental	\$ 2,697	\$ -	\$ -
Fines and forfeits	-	-	3,294
Interest	5	1,105	-
Other			
Special assessments	-	127,165	-
Other	-	-	695
TOTAL REVENUES	2,702	128,270	3,989
EXPENDITURES			
Current			
Public safety	4,880	-	6,755
Public works	-	126,158	-
Debt service	-	-	-
TOTAL EXPENDITURES	4,880	126,158	6,755
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,178)	2,112	(2,766)
OTHER FINANCING SOURCES			
Transfers in	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(2,178)	2,112	(2,766)
Fund balances, beginning of year	3,890	147,848	7,432
Fund balances, end of year	\$ 1,712	\$ 149,960	\$ 4,666

Debt Service			Total Nonmajor Governmental Funds
Remy Chandler	1998 G.O. Bonds	Water System Bonds	
\$ -	\$ -	\$ 113,569	\$ 116,266
-	-	-	3,294
12	101	-	1,223
31,300	-	-	158,465
7,051	-	-	7,746
38,363	101	113,569	286,994
-	-	-	11,635
28,758	-	-	154,916
-	155,944	112,225	268,169
28,758	155,944	112,225	434,720
9,605	(155,843)	1,344	(147,726)
-	155,644	-	155,644
9,605	(199)	1,344	7,918
3,941	2,073	3,909	169,093
\$ 13,546	\$ 1,874	\$ 5,253	\$ 177,011

DeWitt Charter Township

General Fund

SCHEDULE OF REVENUES AND EXPENDITURES - CONSTRUCTION CODE

Year Ended December 31, 2005

REVENUES

Licenses and permits	
Building and zoning permits	\$ 160,995
Charges for services	
Inspection fees	116,024
Building registration fees	<u>2,817</u>
Total construction code revenues	279,836

EXPENDITURES

Community and economic development	
Building and zoning	260,445
Planning Department	<u>193,038</u>
Total construction code expenditures	<u>453,483</u>
Current year excess of revenues (under) expenditures	(173,647)
Prior years' excess of revenues (under) expenditures	<u>(262,649)</u>
Cumulative excess of revenues (under) expenditures	<u><u>\$ (436,296)</u></u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

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MANAGEMENT LETTER

To the Members of the Township Board
DeWitt Charter Township
DeWitt, Michigan

Dear Ladies/Gentlemen:

As you know, we recently completed our audit of the records of DeWitt Charter Township, Michigan for the year ended December 31, 2005. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is the result of our evaluation of the internal control and our discussions with management.

The Township should comply with the Uniform Chart of Accounts.

In April 2002, the State of Michigan revised the Uniform Chart of Accounts for Counties and Local Units of Government, modifying certain fund numbers and activity classifications. During the course of our audit, we noted that the Township has not implemented various changes required to be in conformity with the Uniform Chart of Accounts.

We understand the Township is currently in the process of implementing new accounting software and will implement the necessary changes to the chart of accounts so that it conforms to the Uniform Chart of Accounts for Counties and Local Units of Government in Michigan.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated February 10, 2006.

This report is intended solely for the information of the Township Board of DeWitt Charter Township, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these conditions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 10, 2006

Principals

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REPORT ON INTERNAL CONTROL

Members of the Township Board
DeWitt Charter Township
DeWitt, Michigan

We have audited the financial statements of DeWitt Charter Township, Michigan as of and for the year ended December 31, 2005 and have issued our report thereon dated February 10, 2006.

In planning and performing our audit of the financial statements of DeWitt Charter Township for the year ended December 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

The management of DeWitt Charter Township is responsible for establishing and maintaining an internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of an internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations in any internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

We noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We noted the following reportable conditions.

ALL FUND ACTIVITIES SHOULD BE MAINTAINED ON THE COMPUTERIZED GENERAL LEDGER

Currently, the Township maintains on manual ledger sheets the cash receipts and cash disbursements for the Drug Forfeiture Fund. These records only identify the date, the description of payee or remitter, check or receipt numbers, and amounts. The sheets are summarized on a monthly basis and posted to sheets established to maintain the activity of the cash balances for these funds. This provides a reasonable level of control over the cash associated with this fund, but does not provide the control over all accounts and the efficiency that would be provided by a computerized double entry accounting system. This issue was noted and reported in our audit comments last year.

We recommend the Township establish various accounts on the computerized general ledger for the Drug Forfeiture Fund in an effort to begin utilizing the computerized accounting system to achieve better internal control and efficiency.

It is our understanding that the Township is currently in the process of converting their general ledger accounting software and as a result of that process, the accounting for all funds, including the Drug Forfeiture Fund, will be maintained on the new software.

CURRENT TAX ACTIVITY SHOULD BE RECONCILED WITH THE GENERAL LEDGER

During our analysis of the current tax activity, we noted that the subsidiary ledgers maintained on BS&A's Equalizer property tax collection software are not being reconciled on a periodic basis with the general ledger balances maintained on the Versyss accounting software.

We recommend the Township reconcile the Current Tax Fund activity with the amounts recorded in the computerized general ledger system to assure that the ending liability balances are correct at least on a monthly basis. Reconciling this activity will strengthen and improve the internal control over property tax collections and disbursements.

It is our understanding that the Township is currently in the process of converting from the Versyss general ledger accounting software to BS&A's general ledger accounting software. Such a conversion will allow for integration of the property tax collection software with the general ledger accounting software, which will significantly simplify the periodic reconciliation process.

This report is intended solely for the information and use of management and the Township Board of DeWitt Charter Township and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 10, 2006